

**DESOTO PARISH COMMUNICATIONS DISTRICT
MANSFIELD, LOUISIANA
ANNUAL FINANCIAL REPORT**

DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **NOV 02 2011**

DeSoto Parish Communications District
Mansfield, Louisiana

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DESOTO PARISH COMMUNICATIONS DISTRICT
Mansfield, Louisiana
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the DeSoto Parish Communications District, Louisiana, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the DeSoto Parish Communications District as of and for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

The District was determined to be a component unit of the DeSoto Parish Police Jury effective January 1, 2010. Prior to this date, the District was a fund reported under the DeSoto Parish Police Jury's annual financial statements. The accompanying financial statements present information only on the funds maintained by the DeSoto Parish Communications District. This is the first year for the District to report as a separate entity and prior year comparative data is not available. However, in future years, there will be an explanation of the significant differences between current and prior-year financial information.

Financial Highlights

The District experienced an increase in its net assets of \$101,762 (9.76%) during the fiscal year ended December 31, 2010. At December 31, 2010, the assets of the District exceeded its liabilities by \$1,144,810.

Unrestricted net assets of \$776,286 (67.81% of total net assets) represent the amount available to be used to meet the District's ongoing obligations to its citizens. The remaining 32.19% of net assets (\$368,524) is restricted to that invested in capital assets, net of related debt, if any.

As of the close of the fiscal year, the District's governmental funds reported an ending fund balance of \$779,837, a decrease of \$78,484 (9.14%) from the \$858,321 fund balance for the prior year.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the DeSoto Parish Communications District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two kinds of financial statements that present different views of the District—the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail. This report also contains additional required supplementary information—a budgetary schedule—in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the DeSoto Parish Communications District's finances in a manner similar to a private-sector business. The government-wide financial statements include two statements:

The *statement of net assets* presents information on all of the DeSoto Parish Communications District's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the DeSoto Parish Communications District is improving or deteriorating.

The *statement of activities* presents information showing how the DeSoto Parish Communications District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Government-Wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DeSoto Parish Communications District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. DeSoto Parish Communications District has one governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The DeSoto Parish Communications District adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Approximately 32% of the DeSoto Parish Communications District's net assets reflect its investment in capital assets (e.g. furniture, equipment, and a vehicle); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending.

	<u>December 31, 2010</u>
ASSETS:	
Cash and Cash Equivalents	\$ 365,832
Accounts Receivable	40,125
Ad Valorem Taxes Receivable	404,304
Prepaid Insurance	1,780
Capital Assets, Net of Accumulated Depreciation	<u>368,524</u>
Total Assets	<u>\$1,180,565</u>
LIABILITIES:	
Accounts Payable	\$ 4,874
Payroll Liabilities	14,118
Accrued Compensated Absences	<u>16,763</u>
Total Liabilities	<u>\$ 35,755</u>
NET ASSETS:	
Invested in Capital Assets	\$ 368,524
Unrestricted	<u>776,286</u>
Total Net Assets	<u>\$1,144,810</u>

Changes in net assets

The District's net assets increased by \$101,762 (9.76%) during the year ended December 31, 2010. General revenues totaled \$437,930 or 60.24% of total revenues, and program revenues (\$289,026) accounted for 39.76% of the remaining total revenue. All expenditures are for public safety and totaled \$625,194 for the year. Of that total 77.56% or \$484,883 are personnel wages and benefits and depreciation is 5.91% or \$36,980.

	For the Year Ended <u>December 31, 2010</u>
REVENUES:	
Program Revenue-	
Charges for Services	\$ 287,026
Grants & Contribution, Operating	2,000
General Revenue-	
Ad Valorem Taxes	425,638
Other General Revenue	11,717
Interest	<u>575</u>
Total Revenues	\$ <u>726,956</u>
EXPENSES:	
Public Safety	\$ <u>625,194</u>
Increase (Decrease) in Net Assets	\$ 101,762
Net Assets December 31, 2009	<u>1,043,048</u>
Net Assets December 31, 2010	<u>\$1,144,810</u>

Governmental Funds Financial Analysis

As noted earlier, the DeSoto Parish Communications District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund Budgetary Highlights

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the District complies with state law, as amended and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.). The District amended the original budget primarily to accommodate for an increase in capital outlays and employee raises.

Capital Asset and Debt Administration

Capital assets. The DeSoto Parish Communications District's investment in capital assets for its governmental activities as of December 31, 2010, totaled \$368,524 (net of accumulated depreciation of \$64,549). This investment includes furniture, equipment, software, and a vehicle.

Long-term debt. The DeSoto Parish Communications District has no debt outstanding.

Economic Factors and Next Year's Budget

For the fiscal year ending December 31, 2010, the following factors were considered when the budget was prepared:

- General and programs revenues will remain consistent with the prior year.
- The District does not expect to receive significant grant monies.
- Other expenditures are expected to remain steady with the prior year.

Requests for Information

This financial report is designed to provide a general overview of the DeSoto Parish Communications District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bruce Vanderhoeven, Administrator, DeSoto Parish Communications District, 205 N. Jefferson. Mansfield, LA 71052.

Johnson, Thomas & Cunningham

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

DeSoto Parish Communications District
205 North Jefferson Street
Mansfield, LA 71052

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeSoto Parish Communications District (District), a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The budgetary comparison listed as required supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

October 24, 2011

Natchitoches, Louisiana

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

DeSoto Parish Communications District
Mansfield, Louisiana
Statement of Net Assets
December 31, 2010

	Governmental Activities
ASSETS:	
Cash & Cash Equivalents	\$ 365,832
Accounts Receivable	40,125
Ad Valorem Taxes Receivable	404,304
Prepaid Insurance	1,780
Capital Assets, Net of Accumulated Depreciation	<u>368,524</u>
Total Assets	<u>\$1,180,565</u>
LIABILITIES:	
Accounts Payable	\$ 4,874
Payroll Liabilities	14,118
Accrued Compensated Absences	<u>16,763</u>
Total Liabilities	<u>\$ 35,755</u>
NET ASSETS:	
Invested in Capital Assets	\$ 368,524
Unrestricted	<u>776,286</u>
Total Net Assets	<u>\$1,144,810</u>

The accompanying notes are an integral part of the financial statements.

DeSoto Parish Communications District
Mansfield, Louisiana
Statement of Activities
December 31, 2010

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General Government-					
Public Safety	<u>\$625,194</u>	<u>\$287,026</u>	<u>\$2,000</u>	<u>\$0</u>	<u>\$ (336,168)</u>
Total Governmental Activities	<u>\$625,194</u>	<u>\$287,026</u>	<u>\$2,000</u>	<u>\$0</u>	<u>\$ (336,168)</u>
General Revenues:					
Taxes:					
Ad Valorem Taxes					\$ 425,638
State Revenue Sharing					6,405
Rent					4,576
Interest Earnings					575
Other Revenue					<u>736</u>
Total General Revenues					<u>\$ 437,930</u>
Change in Net Assets					<u>\$ 101,762</u>
Net Assets July 1, 2009					<u>1,043,048</u>
Net Assets June 30, 2010					<u>\$1,144,810</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

DeSoto Parish Communications District
Mansfield, Louisiana
Balance Sheet-Governmental Fund
December 31, 2010

ASSETS:	
Cash & Cash Equivalents	\$365,832
Ad Valorem Taxes Receivable	404,304
Other Accounts Receivable	<u>40,125</u>
Total Assets	<u>\$810,261</u>
LIABILITIES:	
Accounts Payable	\$ 4,874
Payroll Liabilities	14,118
Deferred Ad Valorem Taxes	<u>11,432</u>
Total Liabilities	<u>\$ 30,424</u>
FUND BALANCE:	
Unreserved-Undesignated	<u>\$779,837</u>
Total Liabilities and Fund Balance	<u>\$810,261</u>

The accompanying notes are an integral part of the financial statements.

DeSoto Parish Ambulance Service District
Mansfield, Louisiana
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
December 31, 2010

Total Net Assets reported for Governmental Activities
in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds Exhibit C	\$ 779,837
Capital Assets used in Governmental Activities are not current financial resources and, therefore, are not reported in the governmental funds	368,524
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year	1,780
Deferred revenues are reported in the Governmental Funds but not in the Statement of Net Assets	11,432
Accrued compensated absences are long-term liabilities that are not due and payable in the current period and are not reported in the fund financial statements	<u>(16,763)</u>
Net Assets of Governmental Activities, Exhibit A	<u>\$1,144,810</u>

The accompanying notes are an integral part of the financial statements.

DeSoto Parish Communications District
Mansfield, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance-
Governmental Fund
Year Ended December 31, 2010

REVENUES:	
Ad Valorem Taxes	\$424,904
Intergovernmental Revenue-State Funds-	
State Revenue Sharing	6,405
Telephone Service Charges	287,026
Rent Income	4,576
Contributions	2,000
Other Revenues	736
Interest Income	<u>575</u>
Total Revenues	<u>\$726,222</u>
EXPENDITURES:	
Current-	
Public Safety-	
Personal and Related Benefits	\$468,120
Operating Expenses	102,340
Training and Travel	2,771
Capital Outlays	<u>231,475</u>
Total Expenditures	<u>\$804,706</u>
(Deficiency) of Revenues over Expenditures	\$ (78,484)
Fund Balance-Beginning of Year	<u>858,321</u>
Fund Balance-End of Year	<u>\$779,837</u>

The accompanying notes are an integral part of the financial statements.

DeSoto Parish Ambulance Service District
Mansfield, Louisiana
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2010

Amounts reported for Governmental Activities
in the Statement of Activities are different because:

Net Change in Fund Balances, Governmental Funds, Exhibit E \$ (78,484)

Governmental funds report expenses that involve payments
with current financial resources, such as insurance, in the year
in which it is paid. In the Statement of Activities, payments that
are attributable to current periods are recognized. 1,780

Capital Assets used in governmental activities are not financial
resources, and therefore, are not reported in the governmental funds:

Capital Outlays (\$231,475) exceed depreciation expense (\$36,980) 194,495

Because of the timing of actual receipt, some revenues are not
considered "available" to pay current obligations and are not
reported in the government funds.

Change in deferred ad valorem taxes 734

Increases in Accrued Compensated Absences are reflected as an
increase in expenses in the Statement of Activities, but are not
reported in the governmental funds. (16,763)

Change in Net Assets of Governmental Activities, Exhibit B \$101,762

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

1. Introduction:

DeSoto Parish Communications District was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 33:9101 on September 11, 1991, and was approved by the citizens of DeSoto Parish in a special election held November 16, 1991. The Communications District is responsible for maintaining and operating the parish-wide Emergency 911 system and equipment, and providing emergency dispatch services to approximately 26,000 residents in DeSoto Parish. The Communications District is governed by a seven-member board appointed in accordance to Louisiana Revised Statute 33:9103. Board members serve without compensation. The Communications District is staffed by an administrator, an office manager, eight full-time dispatchers and three to four occasional part-time dispatchers.

2. Summary of Significant Accounting Policies:

The accompanying basic financial statements of the DeSoto Parish Communications District have been prepared in conformity with governmental accounting principles generally accepted (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999. Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Governmental Audit Guide*. The more significant accounting policies established in GAAP and used by the DeSoto Parish Communications District are discussed below.

A. Reporting Entity-

As the governing authority of the parish, for reporting purposes, the DeSoto Parish Police Jury is the financial reporting entity for DeSoto Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the DeSoto Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Police Jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Police Jury does not appoint a voting majority but are fiscally dependent on the Police Jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

Because the Police Jury created the Communications District and has the ability to impose its will on the Communications District, the Communications District was determined to be a component unit of the DeSoto Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Communications District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation-

The DeSoto Parish Communications District's basic financial statements consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include the fund of the reporting entity, which is considered to be a governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Communications District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

C. Fund Financial Statements-

The accounts of the Communications District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The major governmental fund of the Communications District is described below:

General Fund

The General Fund, as provided by Louisiana Revised Statute 47:1906 is the primary operating fund of the Communications District and is used to account for the operations of the Communications District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Communication District's policy.

D. Measurement Focus/Basis of Accounting-

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

E. Measurement Focus-

The Statement of Net Assets and the Statement of Activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net assets.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on its balance sheet. Their statement of revenues, expenditures, and changes in fund balance reports sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of available spendable financial resources during a given period. This approach is then reconciled, through adjustment, to a government-wide view of the operations.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

F. Basis of Accounting-

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are classified by source and expenditures are classified by function and character. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, attach as an enforceable lien, and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State revenue sharing is recorded in the year the Communications District is entitled to the funds. Telephone tariff fees and interest income are recognized in the period in which they are earned.

Expenditures

Salaries and related benefits are recorded when employee services are provided. Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased. Substantially all other expenditures are recognized when the related fund liability is incurred.

G. Assets, Liabilities and Equity-

Cash and interest-bearing deposits

Cash includes amounts in demand deposits and interest-bearing demand deposits. Under state law, the Communications District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

Communications District may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

H. Prepaid Expenses-

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid expenses.

I. Accounts Receivable-

Major receivables for the governmental activities include ad valorem taxes, telephone tariff charges and state revenue sharing revenues. Substantially all receivables are considered to be fully collectible, and no allowance for uncollectibles is used.

J. Capital Assets-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Communications District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Description</u>	<u>Estimated Lives</u>
Computers & Equipment	5-10 years
Furniture & Fixtures	20 years
Vehicles	5 years

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

K. Deferred Revenues-

Deferred revenues arise when resources are received by the Communications District before it has a legal claim to them, as when ad valorem taxes are paid under protest to the tax collector. In subsequent periods, when the Communications District has a legal claim to the resource and revenue becomes available, the liability for deferred revenue recorded in the government fund's balance sheet is removed and the revenue is recognized.

L. Compensated Absences-

The Communications District has the following policy relating to sick and vacation leave:

Sick leave is granted to all permanent full-time employees at the rate of one day per month. Sick leave may be accumulated with an unlimited amount of days an employee may accumulate which can be applied at time of retirement. After one year of service, all regular, full time employees are granted 40 hours of vacation leave each year. With 6 to 10 years of service with the DeSoto Parish Communications District, employees are granted 80 hours of vacation each year; with 11 to 20 years of service, employees are granted 120 hours of vacation each year; and with 21 plus years of service, employees are granted 160 hours of vacation each year. Vacation time expires at an employee's anniversary date. Vacation time does not accrue from year to year.

M. Equity Classifications-

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

N. Budgets and Budgetary Accounting-

The Communications District is required by state law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

A proposed budget is prepared by the governing board in November and made available for public inspection no later than 15 days prior to December 31, of each year. In open meeting prior to December 31, the budget is adopted and becomes part of the official minutes of the Communications District. The proposed budget for the General Fund is prepared on the modified accrual basis of accounting.

Once a budget is approved, it can be amended by approval of a majority of the Board. Amendments are presented at a regular open meeting for Board approval. The budget was amended once during the year.

O. Use of Estimates-

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Cash and Interest-Bearing Deposits:

At December 31, 2010, the Communications District has cash and cash equivalents totaling \$365,832 (book balance), which includes \$215,815 in a non-interest bearing account and \$150,017 invested with Louisiana Asset Management Pool (LAMP).

The LAMP deposits are stated at fair value based upon quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

The cash and interest-bearing deposits of the DeSoto Parish Communications District are subject to the following risks:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Communications District that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Communications District's name.

At December 31, 2010, the Communications District has \$224,384 in deposits (collected bank balances). At December 31, 2010, these deposits are secured from risk by \$250,000 of federal deposit insurance.

Cash equivalent investments held at December 31, 2010 include \$150,017 with the Louisiana Asset Management Pool (LAMP), a local government investment pool. The Louisiana Asset Management Pool is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and a board of directors. LAMP is not registered with the SEC as an investment company.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Communications District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

4. Accounts Receivable:

The following is a summary of receivables at December 31, 2010:

Telephone Tariff Charges	\$37,957
State Revenue Sharing	<u>2,168</u>
Total	<u>\$40,125</u>

5. Levied Taxes:

The DeSoto Parish Communications District levies taxes on real and business property located within the boundaries of the Communications District. Property taxes are levied by the Communications District on property values assessed by the DeSoto Parish Communications District

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

and approved by the State of Louisiana Tax Commission. The DeSoto Parish Sheriff's office bills and collects property taxes for the Communications District. Collections are remitted to the Communications District monthly. The Communications District recognizes property tax revenues when levied.

Property Tax Calendar

Assessment date	January 1
Levy date	June 30
Tax bills mailed	October 15
Total taxes are due	December 31
Penalties and interest added	January 31
Lien date	January 31
Tax sale	May 14

The Communications District has authorized ad valorem tax millage of 0.98 mills and levied taxes of 0.98 mills for 2010. Revaluation of all property is required to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2008. Total assessed value in the Communications District was \$432,685,952 in 2010. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was a total of \$39,007,112 in 2010. Total of ad valorem tax revenues recognized in 2010 by the Communications District was \$424,904.

The following are the principal taxpayers for the Communications District (2010 amounts):

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Assessor</u>
International Paper Co.	Manufacturing	\$ 71,613,799	16.55%	\$ 70,182
Exco Production Co.	Oil & Gas	35,402,879	8.18%	34,695
Southwestern Electric Co.	Utility	24,049,165	5.56%	23,568
Cleco Power, LLC	Utility	18,204,925	4.21%	17,841
El Paso & E&P Co.	Oil & Gas	19,232,123	4.44%	18,847
Patterson UTI Drilling Co.	Oil & Gas	11,213,600	2.59%	10,989
Gulf South Pipeline Co.	Oil & Gas	11,001,590	2.54%	10,782
Normac Drilling Corp.	Oil & Gas	10,237,300	2.37%	10,033
Comstock Oil & Gas	Oil & Gas	10,024,617	2.32%	9,824
Nabors Drilling USA	Oil & Gas	<u>7,639,251</u>	<u>1.77%</u>	<u>7,486</u>
Total		<u>\$218,619,249</u>	<u>50.53%</u>	<u>\$214,247</u>

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

6. Capital Assets:

Capital asset balances and activity for the year ended December 31, 2010, are as follows:

Governmental Activities	<u>12-31-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>12-31-10</u>
Capital Assets:				
Computers & equipment	\$179,384	\$231,475	\$0	\$410,859
Furniture & fixtures	7,575	0	0	7,575
Vehicles	<u>14,639</u>	<u>0</u>	<u>0</u>	<u>14,639</u>
Total Assets	<u>\$201,598</u>	<u>\$231,475</u>	<u>\$0</u>	<u>\$433,073</u>
Less: Accumulated Depreciation:				
Computers & equipment	\$ 12,836	\$ 36,600	\$0	\$ 49,436
Furniture & fixtures	95	380	0	474
Vehicles	<u>14,639</u>	<u>0</u>	<u>0</u>	<u>14,639</u>
Total Depreciation	<u>\$ 27,570</u>	<u>\$ 36,980</u>	<u>\$0</u>	<u>\$ 64,549</u>
Net Capital Assets	<u>\$174,028</u>	<u>\$194,495</u>	<u>\$0</u>	<u>\$368,524</u>

Depreciation expense of \$36,980 was charged to the public safety function.

7. Pension Plan:

Plan description. Full-time employees (approximately 10) of the DeSoto Parish Communications District are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Communications District are members of Plan B.

All permanent employees working at least 28 hours per week who are paid wholly or in part from Communication District funds are eligible to participate in the System. Under Plan B, employees who retire at or after age 67 with at least 7 years of creditable service, after age 62 with at least 10 years of creditable service, or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619 or by calling (225) 928-1361.

Funding Policy. Under Plan B, members are required by state statute to contribute 3% of their annual covered salary and the Communications District is required to contribute at an actuarially determined rate. The current rate is 10% of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Communications District are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation for the prior fiscal year. The Communications District was accepted into the Plan on January 1, 2010. The Communications District's contributions for the year ending December 31, 2010, was \$35,935, equal to the required contributions for the year.

8. Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended December 31, 2010:

	<u>2009</u>	<u>Additions</u>	<u>Balance Reduction</u>	<u>2010</u>
Compensated Absences	\$0	\$16,763	\$0	\$16,763

9. Expenditures Not Included in the Financial Statements:

The DeSoto Parish Police Jury furnishes the Communications District facilities for their dispatch office.

10. Risk Management:

The Communications District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of asset and errors and omissions. To handle some of the risk, the Communications District maintains surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2010.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2010

11. Commitments and Contingencies:

There is no litigation pending against the Communications District, at December 31, 2010, nor is it aware of any unasserted claims.

12. Related Party Transactions:

FASB 57 requires the disclosure of the description of the relationship, the transactions, the dollar amount of the transactions, and any amounts due to or from that result from related party transactions. Procedures, observations, and inquiries did not disclose any material related party transactions.

13. Compensation Paid to Board Members:

The members of the Board of Commissioners of the Communications District receive no compensation for their services.

14. Subsequent Events:

Management has evaluated events through October 24, 2011, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

DeSoto Parish Communications District
Mansfield, Louisiana
Budgetary Comparison Schedule
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Ad Valorem Taxes	\$351,000	\$ 326,873	\$424,904	\$ 98,031
Intergovernmental Revenue-State Funds-				
State Revenue Sharing	8,000	6,340	6,405	65
Telephone Service Charges	240,000	270,000	287,026	17,026
Rent Income	0	5,400	4,576	(824)
Contributions	0	2,000	2,000	0
Other Revenues	0	92	736	644
Interest Income	<u>450</u>	<u>638</u>	<u>575</u>	<u>(63)</u>
Total Revenues	<u>\$599,450</u>	<u>\$ 611,343</u>	<u>\$726,222</u>	<u>\$114,879</u>
EXPENDITURES:				
Current-				
Public Safety-				
Personal and Related Benefits	\$427,386	\$ 476,190	\$468,120	\$ 8,070
Operating Expenses	117,294	119,081	102,340	16,741
Training and Travel	9,000	4,000	2,771	1,229
Capital Outlays	<u>10,000</u>	<u>220,000</u>	<u>231,475</u>	<u>(11,475)</u>
Total Expenditures	<u>\$563,680</u>	<u>\$ 819,271</u>	<u>\$804,706</u>	<u>\$ 14,565</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 35,770	\$(207,928)	\$ (78,484)	\$129,444
Fund Balance at Beginning of Year	<u>858,321</u>	<u>858,321</u>	<u>858,321</u>	<u>0</u>
Fund Balance at End of Year	<u>\$894,091</u>	<u>\$650,393</u>	<u>\$779,837</u>	<u>\$129,444</u>

See accountant's report.

DeSoto Parish Communications District
Notes to Required Supplementary Information
As of and for the Year Ended December 31, 2010

Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the cash basis of accounting. The budget comparison schedules present the original adopted budget and the final amended budget. The District did amend the budget once during the year.

The District is in compliance with the Local Government Budget Act R.S. 39:1301.

OTHER REQUIRED
SUPPLEMENTARY INFORMATION

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation
Jessica H. Broadway, CPA – A Professional Corporation
Ryan E. Todtenhiser, CPA – A Professional Corporation

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

DeSoto Parish Communications District
205 North Jefferson Street
Mansfield, LA 71052

We have audited the financial statements of the governmental activities and the major fund of the DeSoto Parish Communications District (District), a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 10-01 and 10-02.

This report is intended solely for the information and use of the DeSoto Parish Communications District's management, the Louisiana Legislative Auditor, and interested state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

October 24, 2011

Natchitoches, Louisiana

DeSoto Parish Communications District
Schedule of Audit Findings
Year Ended December 31, 2010

I. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the DeSoto Parish Communications District.
2. There were no significant deficiencies noted during the audit of the financial statements.
3. Two instances of noncompliance material to the financial statements of the DeSoto Parish Communications District were disclosed during the audit.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following findings relate to the financial statements and are required to be reported in accordance with *Government Auditing Standards*:

Compliance

10-01 Cash Balances Unsecured

Criteria - Louisiana state law requires that all funds held by banks for an entity must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the FDIC insurance must at all times equal or exceed the amount on deposit with the bank.

Finding - The cash balance in the bank was not fully secured by FDIC or pledged securities.

Effect - If the bank were to fail, then the District's funds in excess of FDIC insurance could be lost.

Recommendation - The District should ensure at all times that their financial institution has their funds fully secured by FDIC insurance and pledged securities.

Response - As soon as we found we were not adequately pledged, we corrected the issue. Pledging was obtained June 16, 2011.

10-02 Late Report

Criteria - Louisiana state law requires that the District have an annual audit performed and submitted to the Legislative Auditor within six (6) months after the close of their fiscal year. For the year ended December 31, 2010, this requirement was not met.

DeSoto Parish Communications District
Schedule of Audit Findings - continued
Year Ended December 31, 2010

Finding - The report was not submitted within the time-frame allowed by law.

Effect - The District is in noncompliance with state law.

Recommendation - The District should institute procedures to ensure the books are provided to the auditor within 45 days after the end of the year.

Response - The Communications District was separated from the DeSoto Parish Policy Jury at the beginning of this audit year; thus this was our first entity audit. Extra time was needed to obtain complete fixed asset records and reconcile employee benefit payables to prior year Police Jury records. Therefore, we do not expect this to be a problem in the future.

III. Prior Year Findings

N/A